

ALBANIA: WORKING TO REALIZE ITS ECONOMIC POTENTIAL

An Improving Economy:

- Prime Minister Sali Berisha's government has started to privatize Albania's utility, refining, and mobile telephone companies. The government also has improved Albania's business climate by avoiding debt financing, expanding tax collection, and clarifying property rights.
- USAID, the Millennium Challenge Corporation (MCC), the World Bank, and other international organizations have helped Albania to combat corruption, increase government accountability, reduce poverty, and enhance infrastructure and agricultural systems.
- Albania's poverty rate declined from 25.4% to 12.4% between 2002 and 2008. Based on the World Bank's July 2011 income classifications, Albania has progressed from a lower-middle income to an upper-middle income country. The Bank of Albania estimates the country's per capita income was \$4,070 in 2009 and \$4,200 in 2010.
- The Albanian economy has been partially sheltered from the global financial crisis and the economic downturn. The International Monetary Fund (IMF) projects Albania's Gross Domestic Product (GDP) growth at 3.4% and 3.6% for 2011 and 2012, respectively. In 2010, inflation was expected to stay within the Central Bank target of 3.6%, and the unemployment rate as of September 2010 was 13.52.

Expanding Links to Southeastern Europe and Beyond:

- Albania has applied for EU membership and has a Stabilization Agreement and a Free Trade Agreement (FTA) with the EU. The EU accounted for 64.1% of Albania's imports and 70.2% of its exports as of September 2010. Albania also has a regional FTA and FTAs with Kosovo, the European Free Trade Association, and Turkey.
- Foreign direct investment (FDI) remains low (under \$1 billion), although Albania was the only country in the region to see a net increase in FDI in 2010. Moving forward, Albania particularly would like to increase U.S. bilateral trade and investment. As of September 2010, trade with the United States accounted for only 3% of Albania's total trade volume.

Developing Albania's Agricultural Sector and Essential Infrastructure:

- More than half of all employed Albanians work in agriculture, but that sector accounts for only about one-fifth of Albania's GDP. A lack of modern equipment and unclear property rights limit Albanian agriculture to primarily small family operations and subsistence farming.
- The Berisha government is working to improve the quantity and quality of agricultural products by providing farmers with management training and improving customs and tax laws. The government also has emphasized expanding agricultural lending through increased access to credit unions and other financial institutions.
- The cities of Tirana and Durres generally have electricity, but other towns and rural areas experience frequent power outages. To help address the issue, the government recently constructed Albania's first major thermal energy plant since 1986, in the southwestern port of Vlora. The government is also facilitating the installation of solar water heating units.
- Still emerging from Communist rule, Albania remains in need of significant infrastructure upgrades. Albania has a limited railway system, one small international airport and substandard road conditions, which complicate the shipment of goods and services.
- As Albania modernizes its economy, it is well aware of the need for modern and efficient infrastructure. Accordingly, the Berisha government has started to improve Albania's

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transportation system by constructing a coastal highway and a 170-kilometer highway that connects Kosovo, through the Albanian border town of Kukes, to the port of Durres.

Albania's economy has improved, but it remains one of the poorest countries in Europe. Fighting corruption remains critical. With continued domestic reforms and foreign assistance—as shown by its MCC Threshold Programs—Albania can continue to progress.

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ALBANIA: A STRATEGIC PARTNER IN SOUTHEASTERN EUROPE

A Democratic Ally in the Balkans:

- Albania is a parliamentary democracy of 3.6 million people in Southeastern Europe.
- Albania is a secular nation, with freedom of worship and no state religion. According to the CIA World Factbook, approximately 70% of Albanians are Muslims (largely non-practicing Sunnis), 20% are Eastern Orthodox Christians, and 10% are Roman Catholics.
- Albania has solid relations with all of its diverse neighbors, including the recently independent states of Montenegro to the north and Kosovo to the northeast, the (Former Yugoslav) Republic of Macedonia to the east, Greece to the south and southeast, and Italy 45 miles across the Adriatic Sea to the west.

The Transition to Security Partner:

- Albania's democratic transition began in 1992, following the collapse one of the world's most hermetic and repressive Communist regimes.
- Albania's position as one of the poorest countries in Europe meant the post-Communist transition did not always go smoothly, as evidenced by the collapse of the government in 1997 and the ensuing intervention of an Italian-led stabilization force to help restore order.
- In 1999, Albania hosted a fleet of U.S. Apache attack helicopters stationed as part of the NATO-led humanitarian military campaign in Kosovo, helping to respond to the threats to human rights and regional stability posed by the Milosevic regime in Yugoslavia.
- Albanians strongly supported the U.S. and NATO action against Milosevic's Yugoslavia, and Albania remains grateful for NATO's intervention to defend the human rights of ethnic Albanians in Kosovo, which was then part of Yugoslavia. Consequently, Albanians continue to rank among the most pro-American people on the globe.
- Meanwhile, Albania has reached out to the rest of Europe, re-establishing diplomatic relations with post-Milosevic Yugoslavia and applying for EU membership.

NATO Membership and Responsibilities:

- On April 1st, 2009, Albania cemented its transition to Euro-Atlantic institutions by joining NATO, as Albania and Croatia became the 27th and 28th members of the most successful democratic security alliance in modern history.
- Albania takes its NATO responsibilities seriously. The country has begun to modernize its military, retiring obsolete tanks and surface-to-air systems in favor of a smaller, more mobile force, which already participates in NATO's Operation Endeavor in the Mediterranean Sea.
- Two hundred eight-six Albanian troops serve in the NATO-led force in Afghanistan, marking the first foreign deployment of Albanian ground forces since World War II and leading U.S. Ambassador Alex Arvizu to call Albania a "net provider of global security."

However, Albania wants to do more. Accordingly, Albania requests U.S. Foreign Military Financing (FMF) and other assistance commensurate with its willingness to serve as an active partner with the United States and NATO in Southeastern Europe and beyond.

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ALBANIA'S EFFORTS TO FIGHT CORRUPTION AND INCREASE TRANSPARENCY

Albania began its transition to democracy in 1992. Since its emergence from communist rule, observers have expressed concern about Albania's record of transparency and corruption, but recent reforms under the current government of Prime Minister Sali Berisha demonstrate commendable progress. The steps Albania has taken are important to diplomatic partners and potential investors, and they demonstrate that Albania is on the road to EU membership. The record is as follows:

- Due to prior lack of transparency in government procurement, Albania enacted legislation encouraging competition and mandating rejection of corrupt tenders, in 2006. Albania became the first country to use an exclusively web-based procurement process.
- In November 2005, Albania broadened the scope of its conflict of interest law to bar additional possible conflicts in public administration.
- In 2009, Albania introduced new tax guidelines that aim to improve collection rates.
- Albania created the National Licensing Centre, a one-stop shop for business registration, in 2009. This drastically decreased the time and associated costs for issuing licenses.
- Since the 1998 adoption of the Albanian Constitution, Albania has implemented a legal framework to deter improper influences in the judiciary, including the mandatory recusal of a judge when a conflict of interest exists.
- The privatization of Albania's utility, refining, and mobile telephone companies has curbed corruption, increased transparency, and enhanced the management of state-held enterprises.

Albania's efforts to reduce corruption and increase transparency have not gone unnoticed. In recent years, Albania has welcomed a number of awards and public acknowledgements, including:

- For the first time, the U.S. Millennium Challenge Corporation ("MCC") ranked Albania above the median line for fighting corruption in its 2009 MCC Country Scorecard.
- Following its December 2009 meeting, the MCC Board of Directors publicly saluted Albania for its significant economic reforms.
- Albania placed second behind Germany for the 2010 UN Public Service Award for "Improving transparency, accountability and responsiveness in the public service."
- Transparency International moved Albania up eight positions to rank 87th out of 178 countries in its 2010 Corruption Perceptions Index.
- According to the Heritage Foundation's 2011 Index of Economic Freedom, Albania's freedom from corruption, protection of property rights, and increase in trade and labor freedom make it the 70th freest economy in the world, ahead of Greece and Italy.
- In 6 months, Albania jumped from 93rd to 82nd in Euromoney's 2010 Country Risk Report.
- Newsweek,¹ The Wall Street Journal,² and Forbes³ have recognized Albania's efforts to combat corruption and enhance transparency.

The government of Albania remains committed to reducing corruption and enhancing transparency. With continued reforms, and encouragement and investment from the U.S. and the EU, Albania will achieve its goals of EU membership, continued and broad economic growth, and an increasingly robust civil society.

¹ See <http://www.newsweek.com/2010/08/15/interactive-infographic-of-the-worlds-best-countries.html>.

² See <http://online.wsj.com/community/groups/state-economy-557/topics/best-countries-invest-china-brazil>.

³ See <http://www.forbes.com/forbes/2010/1025/opinions-steve-forbes-fact-comment-this-mouse-roaring.html>.

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